

Income/Franchise:

Indiana: Updated Financial Institutions Tax Bulletin Addresses Combined Returns, PTET, and NOLs

General Tax Information Bulletin #200, Ind. Dept. of Rev. (4/25). The Indiana Department of Revenue (Department) posted an updated bulletin on the Indiana financial institutions tax (FIT), which generally applies to both resident and nonresident financial institutions and to all corporate entities that transact the “business of a financial institution” in Indiana pursuant to Indiana’s economic presence principles. The Department explains that aside from technical, non-substantive changes, the updated bulletin adds:

URL: <https://www.in.gov/dor/files/gb200.pdf>

- Language explaining what adjustments may be made when a combined return results in a failure to fairly reflect Indiana source income,
- Information on the pass-through entity tax (PTET),
- Calculations for net operating losses, including calculations when there is a discharge of indebtedness, and
- Discussion on state reporting of federal tax return modifications.

Regarding combined returns, the bulletin notes that because corporations that are not transacting business in Indiana are not included in a combined Indiana FIT return even if they share a unitary relationship with a taxpayer subject to the Indiana FIT, “it is possible that intercompany transactions between included and excluded corporations that have a unitary relationship can create a failure to fairly reflect the Indiana source income” of a taxpayer subject to the Indiana FIT. Accordingly, the bulletin states that if the Department determines that application of the Indiana FIT statutes fails to “fairly reflect a taxpayer’s Indiana source income,” the Department may require the taxpayer to utilize separate accounting of Indiana income or file a separate Indiana FIT return. Alternatively, in such cases, the Department may “reallocate tax items between a taxpayer and another member of the taxpayer’s unitary group or an entity that would be a member of a taxpayer’s unitary group if it were transacting business in Indiana.” Please contact us with any questions.

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